

Internship Report

On

“General Banking and Credit Management

A Study on JBL, Farmgate Corporate Branch”

Submitted To

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Advisor

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Submitted By

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LETTER OF TRANSMITAL

30 January, 2014

Professor Rafiqul Islam

Advisor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University.

Subject: General Banking and Credit Management.

Dear Sir:

With great pleasure I submit this internship report that I have been assigned as an important requirement of BBA program at Daffodil International University. I have found the study to be quite interesting, beneficial and Knowledgeable. I have tried my level best to prepare an effective & creditable report. This report is about the General Banking and Credit Management: A practical Study on Janata Bank Limited, Farmgate Corporate Branch, Dhaka.

It was a great pleasure for working on this report to learn some real life lessons and firsthand knowledge on dealing with office environment. I would be glad to endow you with any clarifications, if required.

Sincerely Yours,

Amit Rock Costa

ID No. # 083-11-542

BBA Program

Department of Business Administration

Daffodil International University



STUDENT'S DECLARATION

I do hereby solemnly declare that the work presented in this Internship Report has been carried out by me and has not been previously submitted to any other University/ College/ Organization for an academic qualification/ certificate/ diploma or degree.

The information I have presented does not breach any existing copyright. Different sources have been used as supportive tools for preparing the report.

I further undertake to indemnify the department against any loss or damage arising from breach of the foregoing obligations.

Amit Rock Costa

ID No. # 083-11-542

BBA Program

Department of Business Administration

Daffodil International University





Certificate of Approval



I am pleased to certify that the Internship report on “**General Banking and Credit Management of JBL**” conducted by Amit Rock Costa is bearing ID No: 083-11-542 of the Department of Business Administration has been approved for presentation. Under my supervision Amit Rock Costa worked with JBL as an intern. He completed the work during the Fall 2013 semester.

Amit Rock Costa bears a strong moral character and a very pleasing personality. It has indeed been a great pleasure working with him. I wish him all success in life.

Supervisor

.....
Professor Rafiqul Islam

Advisor

Department of Business Administration
Faculty of Business & Economics
Daffodil International University.





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Supervisor

.....
Md. Belayet Hossain

AGM

Janata Bank Limited

Farmgate Corporate Branch.





PREFACE

The world we live in based on information. At once knowing information was a significant issue in learning. But now it becomes information technology, a collaboration of information and science. This information can be obtained through theoretical (book, journal, magazine, articles, newspaper, documentation etc.) and practical (working experience, observation, interview etc) knowledge. There are different directions in the theoretical and practical knowledge. Theoretical knowledge has significant value to justify and enrich the practical knowledge.

An internship program brings the students closer to the practical world though he or she has learnt much theoretical knowledge. So that universities have introduced the system & provision of internship program for the BBA students which give them better understanding and vast realization with the practical job environment.

As a BBA student, it is my great pleasure and to be in touch with National Bank Limited, which is undoubtedly the most efficient and best performing banking institution in our country. The internship program has given me immense opportunity to coordinate the theoretical and practical knowledge. My practical experience while performing different activities in the bank including credit management has enhanced my view of learning, mission, and acceptability in performing tasks as well as has increased my overall performance about dealing in corporate phenomenon.





ACKNOWLEDGEMENT

In conducting this report, I have received munificent help from many quarters, which I like to put on record here with deep gratitude and great pleasure.

First and foremost, I am highly obliged to my internship supervisor, **Professor Rafiqul Islam** Advisor, Department Business Administration, Daffodil International University, Dhaka-1205. He allowed me to encroach upon his precious time the very beginning of this work till the completion. Her expert guidance, affectionate encouragement and critical suggestions provided me necessary insight into the research problem and paved the way for suggestions provided me necessary insight into the research and paved the way for the meaningful ending of this report work in a short duration. I have no hesitation to say that, without this constant supervision and valuable advice and suggestions from time, I could not complete the whole in an efficient manner.

I also express my warm gratitude and cordial thanks Md. Belayet Hossain (AGM) to Md. Zakir Hossain, (EM-JBFCB), Janta Bank Limited, Farmgate Corporate Branch for giving me his valuable time and thus enabling me to prepare the Internship Report. In addition I remain grateful to Mr. Sazzad Hossain (EO), Nazmun Naha Ratna (AEO), Mohammad Mahbub Ullah (EO), Mr. Humayun Rashid Manmun (EO), Mr. Salah Uddin Sikder (EO), Md. Khaled (EO), Md. Tonmoy Mehedy (EO), Mr. Fasial for their cooperation during the internship providing various data, information.





Abbreviations

A.G.M	Assistant General Manager
BL	Bad Loss
CC	Cash Credit
DD	Demand Draft
D.G.M.	Deputy General Manager
D.M.D.	Deputy Managing Director
JBLFCB	Janata Bank Liited, Farmgate Corporate Branch
JBDPS	Janata Bank Deposit and Pension Scheme
M.D.	Managing Director
MT	Mail Transfer
OD	Over Draft
OL	Other Loan
P.O.	Principal Officer
SB	Savings Bank Account
S.L	Small Loan
SME	Small and Medium Enterprises
S.O.	Senior Officer
S.P.O.	Senior Principal Officer
SS	Sub Standard
STD	Short Term Deposit
TT	Telegraphic Transfer
UC	Unclassified





EXECUTIVE SUMMARY

Janata Bank Limited, One of the state owned commercial banks Bangladesh. Immediately after the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union bank Limited were renamed as Janata Bank. On 15th November, 2007 the bank has been corporatised and renamed as Janata Bank Limited operates through 874 branches including 4 overseas branches at United Arab Emirates. It is linked with 1202 foreign correspondents all over the world. The main function of the bank is intermediation i.e. collection of funds from the surplus units of economy in the form of deposit and mobilizing it to the deficit units of the economy in the form of credit.

Janata Bank Limited, one of the state owned commercial banks in Bangladesh. Purposes of Janata Bank as a Commercial Bank Janata Bank limited is a prominent financial institution established to provide financial services. General Banking functions are the common and frequent function of the commercial banks. Its General functions are collecting deposits; Lending loan; Honoring cheque; Creation of medium of exchange; discounting bills; Money transfer etc. Development functions, Creation of savings and formation of capital, Helps export and import business, Investment sectors, HR development etc. Representative functions, Receive and payment as the representative of clients; selling of shares and securities; Work as the "agent" etc. Service functions, Transaction of foreign currencies; Information sharing consulting and others service functions. Janata Bank Limited, Farmgate Corporate Branch has different and others service functions. Janata Bank Limited, Farmgate Corporate Branch has different key indicators those are Deposits, % of Low cost deposit, Profit/Loss, Foreign Remittance, Non-interest Income, Import, Export, Classified Loans and Advances outside Bangladesh, Recovery of Write off % of Classified Advance, Number of borrowers (2007-12). Different statistical calculation has been performed from these indicators. Mean, Standard Deviation & Coefficient of Variation, Regression Analysis has been computed by these statistical tools.





The Lending procedure followed by Janata Bank Limited consists of a set of sequential activities wherein both bank officials and potential borrowers play significant role. The lending process formally starts with a loan application from a client who must have an account with the Bank. Lending process generally starts from the branch level. The branch manager first interviews the borrower and makes a preliminary assessment. Then the customer provides relevant financial statements for last three years have to be supplied to the bank officials.

Lending is the main income generating activity for all banks and involves both risk and profit. But a sound lending process supported by quantitative analysis, qualitative judgment and a separate credit-monitoring cell can reduce the risk to a certain extent. So far Janata Bank Limited could maintain a very good loan portfolio and its lending process is reasonably sound.

I am grateful to Mr. Ruhul Amin, manager of Janata Bank Limited who suggested and guided me to have good knowledge on banking activities.

The report has been prepared by primary data as well as collecting secondary data. Exploratory research method is used in writing this report. This type of research is meaningful in the research method is used in writing this report. This type of research is meaningful in any situation in which the researcher does not have enough understanding to proceed with the research project.

I tried my level best to produce a comprehensive and well-organized report on the General Banking and Credit Management of Janata Bank Limited, Farmgate Corporate Branch, Dhaka, some limitations were yet present on report.





Chapter – 01

Introduction

Janata Bank Limited





1.1 Introduction

Economic history shows that development has started everywhere with the banking system and its contribution towards financial development of a country is highest in the initial stage. Schumpeter (1933) regarded the banking system as one of the two main agents (other being entrepreneurship) in the whole process of development. Keynes also emphasized the role of bank services in the process of economic development of a country, while he was addressing the House of Lords regarding International and Monetary System (quoted in Sharma 1985). Moreover Alexander Gerschenkron (1962) in his popularity known as certain stage of the industrialization process.

Bank is the most important financial institution in the economy. It plays vital role in the economy by providing means of payment and in mobilizing resources. The economic development of a country depends on the development of banking sector to a great extent. The dependence of banking sector in modern economy is increasing day by day because this sector ultimately contributes to run the wheel of development in a more dynamic way. Today's modern banks are not only providing traditional banking, rather banks are expanding the menu of financial services. Banks are making the untouchable services touchable for their customers. The changing and expanding role of banking has made the banking business more complex and competitive. For survival and growth of this business it demands creativity, specialization, knowledge and adoption of new technology. But technology, creativity, specialization all these cannot support a bank to survive unless the services are marketed in the right track. For this banks need experts who will be able to run the business even in against the wind.

1.2 Objectives of the Report

- To know the General Banking activities and credit management aspects of JBL.
- To find out risks associated with the credits Management aspects of JBL.
- To find out the limitations of Management procedure of JBL.
- To provide recommendations on the basis of findings.





1.3 Scope of the Study

Janata Bank is the second largest commercial Bank in Bangladesh. Janata Bank operates through 484 branches including 4 overseas branches at United Arab Emirates. It is linked with 1221 foreign correspondents all over the world. I am assigned to learn practical knowledge from Janata Bank, 29 Dilkusha Corporate Branch, B/A Motijhil, Dhaka-1000. In this study I would try to concentrate on the theoretical aspects of credit management, that is, the definition of credit management, policy of credit management, tools for managing credit etc. I would analyze the data on the bank and various programs for loan recovery, problems in loan recovery, pattern of loan recovery and the performance of the bank under study in loan recovery, the information in respect to the classification of unsound credit and provision thereon and also concentrates on the performance of the bank. And finally I would conclude with the critical evaluation of the credit management under the guidelines of the Bank Companies Act 1991, IAS#30 and a discussion in the major findings and recommendations.

1.4 Methodology

The study requires a systematic procedure from selection of the topic to final report preparation. To perform the study data sources are to be identified and collected, they are to be classified, analyzed, interpreted and presented in a systematic manner and key to be found out.

The primary sources are:

- Face to face conversation with the officers
- Practical desk work
- Relevant file study as provided by the concerned officer

The secondary sources are:

- Different circulars issued by the Head Office and Bangladesh Bank
- Credit Risk Management Policy of Janata Bank Limited
- Different 'Procedure Manual', published by JBL
- CIB and Reportes of Years (2009 And 2012)*****
- Publications obtained from different libraries and from internet
- Retail credit manual of Janata Bank





1.5 Limitations

Though I tried my level best to produce a comprehensive and well-organized report on the General Banking, Credit Appraisal System and Credit Management of Janata Bank Limited., some limitations were yet present there:

- A period of twelve week was not sufficient to collect and understand the insights of credit appraisal and management.
- As an intern of Janata Bank Limited I had to work in different departments of the branch and during the twelve week period of internship I worked in credit department only for six week.
- Recent data and information on different activities of JBL was unavailable.





Chapter – 02

Scenario of Banking in
Bangladesh and An
Overview of Janata bank

Janata Bank Limited





Chapter Objectives:

- To be acquainted with the Background of JBL.
- To know about the Role and Function of JBL as a Commercial Bank.
- To be acquainted with different Branches of JBL at Dhaka.
- To be acquainted with the Background of JBL, Farmgate Corporate Branch, Dhaka.

2.1 History of Banking

Bangladesh inherited its banking structure from the British regime and had 49 banks and other financial institutions before the Partition of India in 1947. The Dhaka Bank established in 1806 was the first commercial bank in the Bangladesh region of British India. Bengal Bank, the first British-patronized modern bank established in India in 1784, had opened its two branches in 1873 in Sirajgonj and Chittagong of Bangladesh region. Later in 1862, the Bengal Bank purchased the Dhaka Bank and opened its first branch in Dhaka in the same year by reconstituting and merging the Dhaka Bank. Thereafter, another branch of Bengal Bank was opened in Chandpur in 1900. A number of other branches of Bengal Bank were opened in this region and some branches had been closed in course of time. There were six other branches of Bengal Bank in operation in the territory of Bangladesh until the Partition of British-India in 1947 and these branches were at Chittagong (1906), Mymensingh (1922), Rangpur (1923), Chandpur (1924) and Narayanganj (1926).

Following the emergence of Pakistan in 1947, State Bank of Pakistan, the Central Bank of the country, came into being in July 1948. Later, the National Bank of Pakistan, a strong commercial bank was set up in 1949. In all, 36 scheduled commercial banks were in operation in the whole Pakistan until 1971. Pakistanis owned most of these banks and only three of them namely National Bank of Pakistan, Habib Bank Ltd. And Australasia Bank Ltd., had one branch of each in East Pakistan in 1949. During 1950-58, there other Pakistani-owned banks, Premier Bank Ltd., Bank of Bhowalpur Ltd. And Muslim Commercial Bank had opened their branches in East Pakistan. Four Pakistani-owned banks, United Bank Ltd., Union Bank Ltd., Standard Bank Ltd. and Commerce Bank Ltd., conducted banking business in the Province during 1959-65. But all of them had their headquarters in West Pakistan. East Pakistan had only two banks owned by local business groups with headquarters in Dhaka. These were the Eastern Mercantile Bank Ltd. (presently Pubali Bank Ltd.) and Eastern Banking Corporation Ltd. (presently Wari Bank Ltd.) established in 1959 and 1965 respectively.





In the beginning of 1971, there were 1130 branches of 12 banks in operation in East Pakistan. The foundation of independence banking system in Bangladesh was laid through the establishment of the Bangladesh Bank in 1972 by the Presidential Order No. 127 of 1972 (which took effect on 16th December, 1971). Through the order, the eastern branch of the former State Bank of Pakistan at Dhaka was renamed as the Bangladesh Bank as a full-fledged office on the central bank of Bangladesh and the entire undertaking of the State Bank of Pakistan in relation to the Bangladesh has been delivered to the bank.

Bangladesh Bank has been entrusted with all of the traditional central banking functions including the sole responsibilities of issuing currency, keeping the reserves, formulating and managing the monetary and credit policy, regulating the banking system, stabilizing domestic and external monetary value, preserving the par value of Bangladesh Taka, fostering economic growth and development and the development of the country's market.

The Bangladesh Banks (Nationalization) Order enacted in 1972 nationalized all banks except foreign ones. Six nationalized banks were formed through merging the existing banks of the period. The rate of growth and development of banking sector in the country was the extremely slow until 1983 when the government allowed to establish private banks and started denationalization process, initially, the Wari Bank in the same year and thereafter, the Pubali Bank and the Rupali Bank in 1986. Growth pattern of banks during the period 1973-83 is healthy.

2.1 Overview of the Bank

Janata Bank Limited, one of the state owned commercial banks in Bangladesh, has an authorized capital of Tk. 20000 milion (approx. US\$ 283.33 milion), paid up capital of Tk. 5000.00 milion, reserve of Tk. 10823.01 milion and retained surplus Tk. 5167.18 milion. The bank has a total asset of Tk. 345233.92 milion as on 31st December 2012. Immediately after the emergence of Bangladesh Bank in 1971, the erstwhile United Bank Ltd. and Union Bank Ltd. were renamed as Janata Bank. On 15th November, 2007 the bank has been coporatised and renamed as Janata Bank Limited.

- ◆ Janata Bank Ltd. operates through 874 branches including 4 overseas branches at United Arab Emirates. It is linked with 1202 foreign correspondents all over the world.
- ◆ The bank employs more than 15 (fifteen) thousand people.
- ◆ The mission of the abnk is to actively participate ain the socio-economic development af the nation by operating a commercially sound banking organization, providing credit to viable borrowers, effeciently delivered and competitively priced, simultaneously protecting depositors funds and providing a satisfactory return on equity to the owners.
- ◆ The Board of Directors is composed of 13 (thirteen) members headed by a Chairman. The Directors are representatives from both public and private sectors.





- ◆ The Bank is headed by the Chief Executive Officer & Managing Director, who is a reputed banker.
- ◆ The corporate head office is located at Dhaka with 10 (ten) Divisions comprising of 38 (thirty-eight) Departments.

2.2 Vision

To become the effective largest commercial bank in Bangladesh to support socio-economic development of the country and to be a leading bank in South Asia.

Values

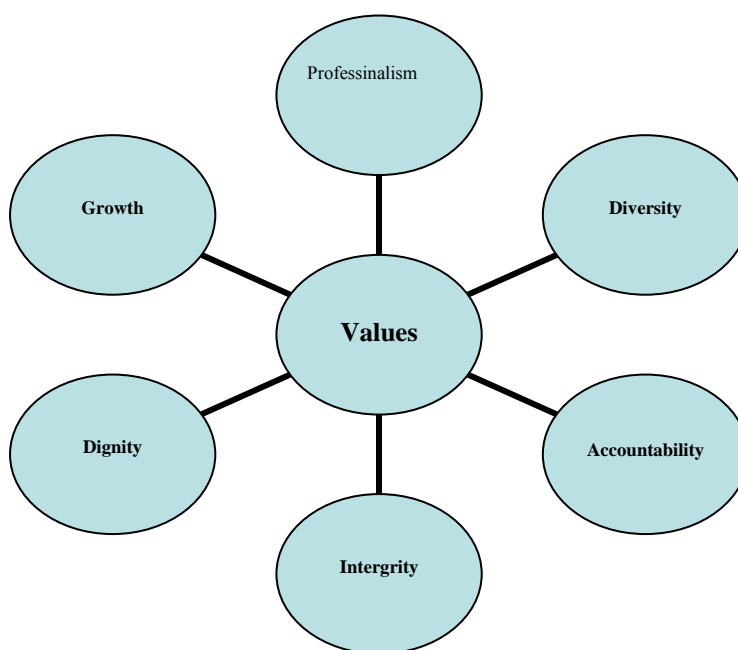


Figure: 02: Values





Mission

Janata Bank Limited will be an effective commercial bank by maintaining a stable growth strategy, delivering high quality financial product, providing excellent customers service through an experienced management team and ensuring good corporate governance in every step of banking network.

2.3 Purpose of Janata Bank

As a Commercial Bank Janata Bank Limited as a prominent financial institution that aims to meet the following purposes:

Making profit

The first and foremost purpose of Janata Bank is to attain profit generally through collecting deposits and lending this money to earn interest income or by making investment.

Providing services and relatio development

This bank increases the volume of financial transaction through the development of relation with the clients. Increasing flow of money.

Increasing the flow of money

Janata Bank in replace of currency uses different medium as cheque, bank draft, pay order, latter of credit when doing transaction. Thus it increases the actual flow of currency.

Collecting more deposit

As a commercial bank Janata Bank aims to collect as much as possible money from the clients through different type of deposit.

Janata Bank, however, serves the following social purposes:

Creating Savings

Janata Bank offers different kinds of Savings Accounts and thus simulates the people to make savings.

Formation of capital

The accumulation of savings enables Janata Bank to form capital.

Ensuring safety

This bank has another purpose to ensure the safety of its client's depository money.

Investment and Industrialization

Janata Bank through short-term, intermediate-term and long-term investment simulates the investment and industrialization in the country.





Employment facility

Besides earning profit Janata Bank offers employment facility to the community people and thus increase income.

2.4 Functions of Janata Bank as a commercial bank

General Functions	Collection deposits, Lending loan, Honoring cheques, Creation of medium of exchange, Discounting bills, Money transfer etc.
Development Functions	Creation of savings and formation of capital, Helps export and import business, Investment in development sector, HR development etc.
Representative Functions	Receive and payment as the representative of clients, Selling of shares and securities, Work as the 'oci' etc.
Service Functions	Transaction of foreign currencies, Information sharing consulting and other service functions.

Table: 02: Functions of Janata Bank

2.5 Branches

Local Branches	01
Corporate-1 Branch	19
Corporate- 2 Branch	68
Overseas Bank	04
Grade-1 Branch	232
Grade-2 Branch	252
Grade-3 Branch	312
Grade-4 Branch	18
Total Branches:	906

Table: 03: Branches

Foreign Branches

Sl.	Name of Branch	Grade	Status
01	Al Ain	1	Foreign
02	Abu Dhabi	1	Foreign
03	Dubai	1	Foreign
04	Sharjah	1	Foreign

Table: 04: Foreign Branches





2.6 History of Janata Bank Ltd., Farmgate Corporate Branch, Dhaka

After the emergence of Bangladesh in 1971, the erstwhile United Bank Limited and Union Bank Limited were renamed as Janata Bank.

JB Farmgate Branch, Dhaka was established in 26/12/71 to meet the increasing demand of banking activities in Farmgate area. The 1st manager to this branch was M. Mostak Hossain.

However, in March 01, 1992, JB Farmgate Branch, Dhaka was restructured as JB Farmgate Corporate Branch, Dhaka. At this branch with new name the 1st manager was Sawkot Osman (AGM).

On 15th November, 2007, the bank has been corporatised and the branch renamed as JBL Farmgate Corporate Branch, Dhaka.

2.7 Organizational Structure

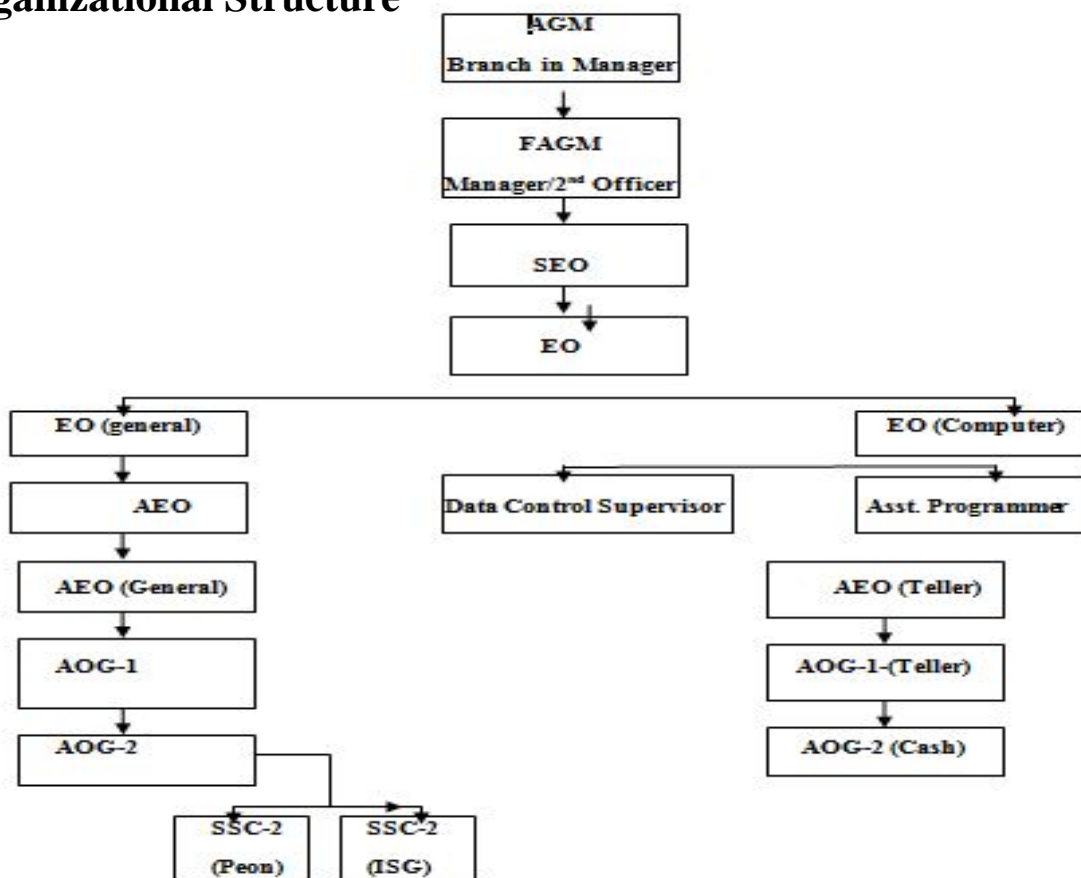


Figure: 03: Organogram of JBL, Farmgate Corporate Branch, Dhaka





Chapter – 03

Literature Review

Janata Bank Limited





3.1 Credit Management

As Janata Bank is providing credit facility out of its total available funds, it has to manage these credits very efficiently. An efficient credit management system comprises many things and this cover the pre-sanction activities to post-sanction activities. Credit management is important as it helps the banks and financial institutions to understand various dimensions of risk involved in different credit transactions.

At the pre-sanction stage, credit management helps the sanctioning authority to decide whether to lend or not to lend, what should be the loan price, what should be the extent of exposure, what should be the appropriate credit facility, what are the various facilities, what are the various risk mitigation tools to put a cap on the risk level.

At the post-sanctioning stage, the bank can decide about the depth of the review of renewal, frequency of review, periodicity of the grading and other precautions to be taken.

Having considered the significance of credit risk, it becomes imperative for the banking system to carefully develop credit management. For this reason, the bank is maintaining a new division which is well-known as credit division.

3.2 Process of Credit Management

Credit Management Policy for any commercial bank must have been prepared in accordance with the Policy Guidelines of Bangladesh Bank's Focus Group on Credit and Risk Management with some changes to meet particular bank's internal needs.

Credit management must be organized in such a process that the bank can minimize its losses for payment of expected dividend to the shareholders. The purpose of this process directional guidelines that will improve the risk management culture, establish minimum standards for segregation of duties and responsibilities and assist in the ongoing improvement of concerned bank.

The guidelines for credit management may be organized into the following sections:





3.2.1 Policy Guidelines

- a. Lending guidelines
- b. Credit assessment and risk grading
- c. Approval authority
- d. Segregation of duties
- e. Internal control and compliance

3.2.2 Management structure and responsibilities

The following chart presents an example of credit management structure:

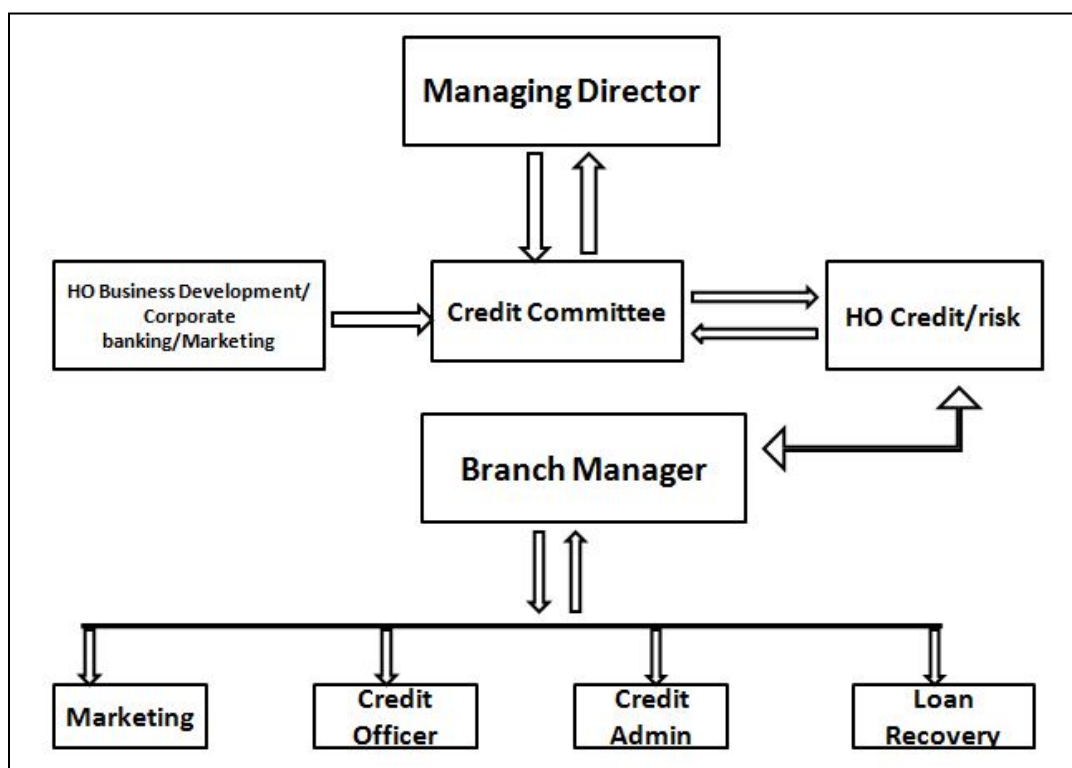


Figure: 01: Management structure and responsibilities





3.2.3 Program Guidelines

- a) Approval process
- b) Credit administration
- c) Credit monitoring
- d) Credit recovery

Now the guidelines are discussed in the following:

3.3 Tools of Credit Management

For credit management, a firm may use tools available to them. Such tools include Credit Risk Grading (CRG) and Financial Spread Sheet (FSS). Credit Risk Grading is important for credit risk management as it helps the bank and financial institutions to understand various dimensions of risk involved in different credit transaction. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality portfolio of a bank or branch.

The Lending Risk Analysis (LRA) manual introduced in 1993 by the Bangladesh Bank has been in practice for mandatory use by the banks and financial institutions for loan size of BDT 1.00 crore and above. However, the LRA manual suffers from a lot of subjectivity, sometimes creating confusion to the lending bankers in terms of selection of credit proposal on the basis of risk exposure. Meanwhile in 2003 end, Bangladesh Bank provided guidelines for credit risk management of banks wherein it recommended, inter alia, the introduction of Risk Grade Score Card for risk assessment of credit proposal.

Bangladesh Bank expects all commercial banks to have a well defined credit risk management system which delivers accurate and timely grading. In practice, a bank's credit risk grading system should reflect the complexity of its lending activities and the overall level of risk involved.

3.3.1 Definition of Credit Risk Grading (CRG)

- The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure.





- A Credit Risk Grading deploys a number/ alphabet/ symbol as a primary summary indicator of risks associated with a credit exposure.
- Credit Risk Grading is the basic module for developing a Credit Risk Management System.

3.3.2 Functions of Credit Risk Grading

Well-management credit risk grading system promote bank safety and soundness by facilitating informed decision-making. Grading system measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and examiners to monitor changes and trends in risk level. The process also allows bank management to manage risk to optimize returns.

3.3.3 Use of Credit Risk Grading

- The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of individual obligor, credit portfolio of a nit, line of business, the branch or the bank as a whole.
- As evident, the CRG outputs would be relevant for individual credit selection, wherein either a borrower or a particular exposure/ facility is rated. The other decisions would be related to pricing (credit-spread) and specific features of credit facility. These would largely constitutes obligor level analysis.
- Risk grading also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk portfolio level analysis.

3.3.4 Number and short name of grades used in the CRG

The proposed CRG scale consists of 8 categories with short names and numbers are provided as follows:

Grading	Short Name	Number
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/ Watch List	MG/ WL	4
Special Mention	SM	5
Sub Standard	SS	6
Doubtful	DF	7
Bad and Loss	BL	8

Table: 01: CRG





3.3.5 Financial Spread Sheet in Credit Management

1) Financial Spread Sheet provides a quick method of assessing business trends and efficiency

- ◆ Assess the borrowers ability to repay
- ◆ Realistically show business trends
- ◆ Allow comparisons to be made within industry

2) Borrowers that provide Financial Spread Sheets are more likely to be good borrowers

- ◆ At two of the client banks the FSRP consultants could not find 10 bad loans with 3 consecutive years of financial statements available.
- ◆ Out of 25 good loans reviewed by the FSRP consultants, at two of the client banks, 3 consecutive years of financial statements were available on all of them.
- ◆ The willingness of the customer to provide detailed financial information and to answer questions regarding that information, is indication of the cooperation the bank will receive in the future.

3) A financial Spread Sheet is an important tool in a discipline of organized approach to credit analysis.

4) The historic financial reports of a company are the primary indicator of its future financial position. Spread sheets allows proper analysis of financial statement.





Chapter – 04

General Banking

Janata Bank Limited





4.1 Introduction

General banking functions are the common and frequent functions of the commercial banks. It serves as the section of banking from which the commercial bank collects the deposits to form funds for lending loan and the bank yields income of great extent by doing these functions.

However, as a Commercial Bank Janata Bank Ltd, Farmgate Corporate Branch, Dhaka does the General Banking functions in the following manner:

4.2 Opening an account at Janata Bank

The deposits served as the basic source of deposit that leads to form the funds to lend loans to others. A transaction with a depositor is launched with the opening of account in the bank. I was informed that various types of Bank Accounts are opened in the bank, that is to say, C.D A/cs, S.B Deposit A/cs, F.D A/cs, D.P.S A/cs, S.T.D A/cs, Call Deposit and Sundry Deposit Accounts.

I was trained as to how a Current Deposit (C.D) Account is usually opened. The procedure relating to C.D Account is summarized below.

Person intending to open a Bank Account shall apply in a prescribed form., duly filled in. He will put at least three specimen signature in the signature card supplied by the bank and given two passport size photographs. Application form and signature card shall be duly verified by a competent officer. Bank Officer shall carefully check specimen signature of the client and verify the genuineness of the introducer. After these formalities, an account number is posted against the application and hence he or she becomes a holder of a Bank Account with the bank. Usually the client is required to deposit at least Tk. 100 in saving and Tk. 1000 in Current Account. The banker therefore provides the customer with a pay in slip book, a chequebook and a passbook. Various types of Account holder need documents and maintain rules relating to open Bank Account.

Owner of personal A/c: If any person opens account in his own name and maintain it, he will be termed as the owner of personal A/c. He has to maintain the bank A/c. Nobody for him can maintain the A/c. The necessary documents require opening personal A/c, which is discussed above.





Owner of joint A/c: When two or more person open an account jointly, it is called a Joint A/c and such account holders are termed as joint A/c holder. While maintaining, the following rules and regulations are followed:

- * The joint account holders or any one of them authorized to operate the A/c may open either a joint account.
- * The joint account holders are equally liable for repayment of debt taken from the bank.
- * If after the death of a owner, if at least two of them are alive, then the money is withdrawn from the A/c through cheque and new A/c is opened for the alive persons and the money is deposited to the A/c.
- * According to the rules of our country in case of joint A/c by husband and wife, the husband is considered as the owner of that A/c.

4.2.1 Joint Stock Company

While opening an account in the name of a company, the Banker must satisfy himself about the following: The name of the company, the shareholders name and address.

Whethe the company is registered or not, the following documents must be collected:

- ◆ The signature of the shareholders in the application form.
- ◆ A document containing the shares of shareholders, their responsibilities and duties.
- ◆ Naming the person or persons who are authorized to operate the bank A/c on behalf of the company.
- ◆ If there is any change among the shareholders, it must be informed to the bank. All the shareholders are equally liable for the repayment debt taken from the bank.

4.2.2 Public Limited Company

While opening an account in the name of public limited company the Banker should take the following particulars:

The application for opening an account: Naming relates the person who is authorized by the managing director or managing committee to operate the bank A/c.





Specimen signature of the customer: Certified copy of constitution and memorandum of the company, list of directors and their signature certified by Chairman, Scrutiny the financial condition, nature of business of the company. The company is liable for the repayment of debt taken from the bank.

4.2.3 Non-trading Organization

Clubs, societies, charitable and religious institutions not engaged in trading activities can open their accounts in the bank. According to the constitution of this institution, one or more employee authorized to operate the bank A/c. If the institutions are not registered, bank account cannot be opened.

4.2.4 Specialtypes of Account Holder

A contractual relationship is created between the banker and the customer by opening an account. Basically a person whose age is 18 years or more can be competent to open an account with the bank. But there is some special types of account holder specified below:

Minor: According to the law of Bangladesh, a person who has not completed 18 years of age is a minor. A minor is not capable of entering into a valid contract. A minor cannot open any account or operate it until he completes 21 years. The bank records the date of birth of the minor while opening an account. A banker should be very careful in dealing with a minor. If an overdraft of Loans and Advances is granted to a minor even by mistake or unintentionally, the Banker has no legal remedy to recover the amount from the minor.

Married Women: A married woman is competent to enter into a valid contract. The Banker may therefore open an account in the name of a married woman. In case of a debt taken by the married woman her husband shall not be liable. But if the wife works as an agent of her husband, then the husband has to be liable for his wife's debt. While granting loan to a married woman, the Banker should therefore examine her own assets and ensure that the assets are sufficient to cover the amount of loan.

Illiterate Person: Illiterate person cannot sign their names and hence the Banker takes their thumb impression as a substitute for signature and also a copy of their recent photograph. An approved witness should attest the application form and the photograph.

Blind Person: A blind person can open account and the procedure would be the same as illiterate persons. In both cases the terms and conditions of opening account should have to be read in front of them and if they agree with it only then the account can be opened.

Deaf and Dumb: Deaf and Dumb can open account but the respective Banker should have to become careful about the background and character of the person.





Mad and Lunatic: Man and Lunatic person cannot open a bank account.

4.3 Closing of Account

The relationship between a Banker and his customer is a contractual one and may be terminated by either of them by giving notice of his intention to the other person. The rights and obligation of a Banker in this regard is as follows:

- If a customer directs the Banker to close his account
- On receipt of the notice of the death of a customer
- If a bank receives a notice regarding the insanity of his customer
- On receipt of a Garnishee Order from the court
- Fixed account is closed automatically after the specified date

4.4 Posting and Cancellation of Cheque

At the time of posting of cheques, the cheque is examined carefully. Attention on the following more aspects is given:

- ◆ Whether the account had desired amount of money or not.
- ◆ Perfectures of serial number of the cheques. After careful examination, the drawing amount of cheque was entered in the ledger.

For cancellation of cheques, Janata Bank Ltd., Farmgate Branch, Dhaka is followed bellowed steps:

- ◆ The cancellation officer shall keep the specimen signature card under his personal custody. All specimen signature cards will be kept in serial order.
- ◆ In case of difference of signature, cheques shall not be passed. Officer shall not pass any cheque unless it is posted against the account and initialed by the ledger keeper. The cancellation shall be made waving a red line across the signature of the drawer's of the cheque. The cancellation shall sign in full using red ink the drawer's signature.





4.5 Cash Balancing

The entire cash related employees ensure the balancing of cash on daily basis; all cash register written in words and signed.

- Checking agreed with each other
- Preparing cash position memo
- Writing cash balance book
- Checking all registers and signing; Ensuring that balance is correct; Preparing cash cum daybook.
- Specimen to Daily Cash Book, Janata Bank Ltd., Farmgate Branch, Dhaka.

4.5.1 Checking cash in hand

- ◆ Cash should be checked as per cash balance books
- ◆ Counting the loose cash entirely also coin

4.6 Cash Safe Keeping

All the custodians of cash must ensure overnight safe keeping of cash at branch level.

Counted cash to keep under following precaution:

- Iron safe condition
- Strong room as per specification
- Lodgement of keys
- Maintain safe limit
- Excess over limit disposal

4.7 Cash Remittance

- Only cash feeding branch is entitled to carry the cash for remittance purpose.
- Precautions are as follows: Cash carrying team with armed guards
- Transport mode, Conventional/ Non-conventional cash transit limit
- Cash movement register





4.8 Cheque Dishonored by a Banker

If a cheque is dishonored by the Banker return it to the depositor. The statutory duty of a bank is to honor his customers but it is dishonored in the following circumstances:

- ❖ If the amount mentioned in the cheque is greater than that of deposit, if the cheque is past dated or a stole cheque.
- ❖ If the cheque contains an apparent material alteration, which is not properly mentioned by the drawer. If the signature of the drawer is a forged one or does not tally with his specimen signature.
- ❖ On receipts of reliable information about the death of the customer.

If a debtor commits an act of insolvency as defined in the insolvency law. If the cheque is not submitted during the banking hour. If the Banker comes to know about the defective title of the party.

The image shows a sample cheque from Janata Bank Limited. The bank's name and address are printed at the top left: "Janata Bank Limited, FARMGATE CORPORATE/DHAKA, FARMGATE CORPORATE, 135261480". The SBA number is 1665387. The date field is empty, with boxes for Day, Month, and Year. The "Pay To" field is blank, and the "Or Bearer" field is also blank. The "The sum of Taka" field is blank, and the "TK." field is also blank. The name of the drawer is "A. K. M Zakir Hossain" and the A/C No. is "0000034092543". The MICR line at the bottom is "⑈ 1665387⑈ 135261480⑈ 0000034092543⑈ 10".

Figure: 06: Sample Cheque

4.9 Collection of Deposit Section

Janata Bank, Farmgate Branch, Dhaka collects deposits from surplus unit in the following forms:
Time Deposits:

- Fixed Deposit Receipt (FDR)
- Short Term Deposit (STD)
- Deposit Pension Scheme (DPS)
- JBSPS
- Saving Bank Deposits (SB)





4.10 Numbers of Different Deposits of the Branch

Sl	Types of accounts	Number of accounts
01	Current Deposits	1268
02	Savings Bank Account	11280
03	SND	21
04	DPS	20
05	JBSPS	19
06	JBDS	124
07	SDS	28
08	EDS	46
09	MDS	84
10	MAP	290
11	MSS	39
12	FDR	218
13	MBS	70
15	DBS	119
16	LRSS	0
17	LOANS	269
Total numbers of deposits		13,895

Table: 05: Numbers of different deposits

4.11 Demand Deposit

4.11.1 Current Account

Current Account is the most suitable for public, individuals, traders, merchanters, importers and exporters, mill and factory owners etc.

For opening of a Current Account minimum deposit of Tk. 1000 is required along with introductory reference.

No interest is given in the Current Account. One can enjoy maximum flexibility and convenience when he/she opens a Current Account with Janata Bank Ltd.





General Characteristics:

- CD accounts are unproductive in nature as bank's loadable fund is concerned. Sufficient fund has to be kept in liquid form as Current Deposits are demand liability.
- Thus huge portion of this fund become non-performing. For this reason banks do not pay any interest to CD Account holders.
- There is no restriction on the number and the amount of withdrawal from a Current Account.
- Service charge and incidental charges are recovered from the deposits since the bank make payments and collect the bills, drafts, cheques, for any number of times daily.
- Businessman and Companies are the main customers of this product.
- The banks through Current Accounts grant the Loans and Advances.
- In practice of Janata Bank Ltd, a minimum balance of Tk. 1000 has to be maintained.

4.11.2 Saving Account

The saving account is primarily for small-scale servers. The main objective of this account promotion of thrift. Hence there is restriction on withdrawal in a month.

General Characteristics:

- As per Bangladesh Bank instruction 90% of saving deposits are treated as time liability and 10% of it as demand liability.
- Interest is paid on this account. Janata Bank Ltd. offers a reasonable rate of interest for Saving A/c.
- Generally, Banks require a 7-days prior notice if the total amount of one or more withdrawals on any date exceeds 25% of the balance of the account.
- In practice there is no restriction about drawing money from Savings Account. Any time holders of such account can draw money of any amount without prior notice.
- The number of withdrawals in a week is limited. Only two withdrawals are permitted per week. If there are more than two withdrawals in a week, no interest will be paid on the rest amount for that month.
- Generally householders, individuals and other small-scale savers are the clients of this account. Minimum Balance of Tk. 500 is to be maintained.
- Interest will be counted on the minimum balance from the date 1-6 of a month. No service charges as it is an interest bearing account.
- Heavy withdrawals are permitted only against prior. Minimum amount of Tk. 500 is required as an initial deposit. Frequent withdrawals is not allowed. The current rate of interest is 6%.

4.11.3 STD Account (Short Term Deposit)

This kind of account is opened normally by various big companies, organizations, Government departments etc. This account is operated like Current Account. The deposits held in STD A/c are





payable on short notice for 7 days or 30 days. The interest rate of STD is 4%. Different big companies, organizations and Government departments maintain Short Term Deposit A/c.

General Characteristics:

- Customers deposit money for a shorter period of time.
- STD account can be treated as semi-term deposit.
- STD should be kept for at least seven days to get interest.
- The interest offered for STD is less than that of savings deposit.
- Volume of STD A/c is generally high. In JBL, various big companies, organizations, Government departments keep money in STD accounts.

4.11.4 Time Deposit

Deposits are life blood of a commercial bank. Since commercial bank deals with other people's money, without deposits there is no business for the commercial bank. Accepting deposits as one of the main functions of Janata Bank Ltd.

4.11.5 Fixed Deposit Receipt

Fixed deposits are the deposits in which an amount of cash deposited in bank for a fixed period specified in Interest Income. These deposits are time deposits. Normally the money on a fixed deposit is not repayable before the maturity date of a fixed period. At the time of opening the deposit account, the Banker issues a receipt acknowledging the receipt of money on deposit account. It is popularly known as FDR.

Year	Interest Rate
3	10.5%
6	11%
1	11.5%
2-3	12%
7	10.79%

Source: Janata Bank Ltd., Farmgate Branch

If any depositor wishes to withdraw his/her money before he/she is allowed to do so. But interest will be given according to the prescribed rate for that term. This instrument is also accepted as primary security or collateral security against any Loans and Advances of the bank.





4.12 Bills and Remittance

Remittances of funds are one of the most important aspects of commercial banks in rendering services to its customers. Among various services rendered by a commercial bank to its customers, remittance facilities are very well-known and popular.

The word remittance means sending of money from one place to another through post and telegraph. Bank expands this from the branch and makes arrangement for payment to another branch within the country. In general there are two types of bank remittance:

- 1) Inward Remittance
- 2) Outward Remittance

Bank takes the risk and ensures payment to the beneficiary by charging the customer commission. Janata Bank Ltd., Farmgate Corporate Branch gives their customers the opportunity of different kinds of billing and to remit from one place to another. Their instruments which are used to remittance and billing are D.D, T.T, SDR and Pay Order.

4.13 Demand Draft

Demand Draft is a negotiable instrument issued by a particular branch of a bank containing an order to another branch of the same bank to pay a fixed sum of money to a purchaser by for himself or order on demand.

This instrument can be purchased by for himself or for beneficiary and can be handed over to the purchaser. The delivery to the beneficiary bank issues drafts for a nominal commission. The commission depends upon the amount to be transmitted. Janata Bank charges the commission on D.D minimum charge is Tk. 15.

ড্রাফট নং		প্রাপকের নাম পূর্ণ ঠিকানা সহ	যে শাখার উপর ইস্যু করা হইল	পরিমাণ টাকা	

টাকা (কথায়).....

ক্যাশিয়ার _____ অফিসার _____ অফিসার _____

উপরে বর্ণিত ডিমান্ড ড্রাফট গ্রহণ করিলাম
গ্রহণকারীর স্বাক্ষর _____

Figure: 07: Demand Draft





Procedures for Issuing a DD:

DD application from filled in and money deposited by the customer.

Necessary entries are given to a register name DD OUT- concern (drawn on) branch. A number, which is taken from this register, is known as “Controlling Number”.

An “Account payee only” crossed instrument given.

4.14 Telegraphic Transfer (TT)

Telegraphic Transfer is quicker than a transfer of amount by DD. TT is the most rapid and convening but expensive method. Telephone, Telex, Fax are different method of TT. If an applicant wants to remit the amount urgently to the payee in another city or district he/she may request the Banker to send it by TT. The branch generally recovers from the telex charge in additional to usual service charges.

টি. টি/এম. টি. পাঠানোর আবেদনপত্র

জনতা ব্যাংক লিমিটেড

তারিখ:
টি. টি/এম. টি নম্বর

চার্জস	টাকা	পঃ
কমিশন		
ভ্যাট		
টেলিগ্রাম/ডাক খরচ		
সেটি		

..... শাখা

জনাব,
নিম্নে উল্লিখিত পরিমাণ টাকা টি. টি/এম. টি-র মাধ্যমে প্রেরণের জন্য অনুরোধ জানাইতেছি:-

প্রাপকের নাম, হিসাব নম্বর ও ঠিকানা	যে শাখার উপর ইস্যু করা হইল	টাকা	পঃ

আমার/আমাদের নগদে/চেকের মাধ্যমে প্রদত্ত টাঃ টাকা (কথায়)
অনুগ্রহপূর্বক আমার/আমাদের হিসাব নম্বরঃ হইতে টাঃ টাকা (কথায়)
ডেবিট করুন। আপনার/আপনাদের প্রতিনিধির/প্রতিনিধিদের দ্বারা সূচি নিয়ে এবং খরচ দিয়ে টি. টি/এম. টি-র মাধ্যমে টাকা প্রেরণের ব্যাপারে আপনার/আপনাদের প্রতিনিধির/প্রতিনিধিদের কুল-ক্রটির/বিদ্যের জন্য আমি/আমরা আপনাকে/আপনাদের প্রতিনিধিগণকে কোন প্রকারই দায়ী করিব না। টি. টি/এম. টি-র টাকা সম্পর্কে একটি ঘোষণাপত্র অপর পৃষ্ঠায় প্রদান করিলাম।

আবেদনকারীর নাম ও ঠিকানাঃ
আবেদনকারীর স্বাক্ষর

জমাকৃত শাখার নাম টাকাঃ
টাকা (কথায়)
রেমিঃ ২৩১
বাংলাবাজার-০৪/১২ (১০,০০০ প্যাড) ক্যাশিয়ার কর্মকর্তা কর্মকর্তা

Figure: 08: Telegraphic Transfer

- Application by customer along with money given.
- In receipt of money a cost memo is given to the customer containing TT serial number. The customer informs this number to the awaiting party in the other branch.
- Tested fax message is prepared, where TT serial no. and the name of the concern party to whom the money will be credited is mentioned.
- Activity report is received from the telex department confirming transmission of message.
- TT Payable-practice
- After receiving the telex message it is sent for test agree.
- TT serial number is scrutinized in the “TT IN- concern branch” register. Voucher is released in this respect giving accounting treatment as.





Charges and Commission

TT 15% and minnum Tk. 25 with telex charge Tk. 50 vat on commission and telex charge 15% regarding.

4.15 Pay Order (PO):

Payment Order is a written document. This pay order can be enacted on the branch from where it is issued. Several suppliers, organizations use this PO. It is issued locally. The procedure for selling PO ia as follows:

Purchasing must be an A/c holder og JBL, Farmgate Corporate Branch, depositing money with PO application form, giving necessary entry in the Bills Payable (PO) register, Payee's name, date, PO No. etc.

Preparing the instrument.

After it has been scrutinized and approved by higher authority, the instrument is delivered to customer. Signature of customer is taken as the counterfoil.

Payorder

জনতা ব্যাংক লিমিটেড শাখা

তারিখ	টাকা	পয়সা

পে-অর্ডার/পে-ট্রিপ/এস ডি আর ক্রয়ের আবেদন পত্র

তারিখ : _____

অত্র ফরমে লিপিবদ্ধ নগদ/চেক নম্বর : _____ এর মাধ্যমে জমাকৃত টাকার বিপরীতে অনুগ্রহপূর্বক পে-অর্ডার/ পে-ট্রিপ/এস ডি আর প্রদান করুন। জমাকৃত অর্থ সম্পর্কে একটি ঘোষণাপত্র অপর পৃষ্ঠায় প্রদান করিলাম।

দরখাস্তকারীর স্বাক্ষর

নাম : _____
পূর্ণ ঠিকানা : _____
হিসাব নম্বর : _____

ইস্যাকৃত পে-অর্ডার/পে-ট্রিপ/এস ডি আর হিসাবে জমা করুন।		টাকা	
পে-অর্ডার/পে-ট্রিপ/এস ডি আর নম্বর	যাছার নামে প্রদান করা হইবে		
টাকা (কথায়)		মোট	

রেমি : ২০২
বাংলাবাজার-০৮/১২ (৫০০০ পাত)

ক্যান্সিয়ার অফিসার অফিসার/ম্যানেজার

Figure: 09 Pay Order (PO):





Chapter – 05

Loans and Advances

Janata Bank Limited





Chapter objectives:

- To know about Loan and Advances
- To know about the types of Loans and Advances
- To know the process of Loan handling at Branch level
- To be acquainted with different types of Documents for loan handling
- To know about the Security measures against the Loan
- To know about Recovery process of loans

5.1 Introduction

Janata Bank is a Nationalized Commercial Bank. The main task of a commercial bank is to collect deposit in a comparative low rate of interest and to pay loan is a comparative high rate of interest. A bank has to bear deposit cost and by its earning from granting loans. If it fails to bear these costs by earning from granting loan, its business will be closed. In my internship program, a critical analysis of credit disbursement is presented in this part of the report.

5.1.1 Definition of Loan

Loan means lending money to someone on trust. In other word, lending money from the bank in productive purpose is called loan.

5.1.2 Objectives of the Loan

The goal of a commercial bank is to earn profit. So the objective of loan of Janata Bank, Farmgate Corporate Branch is to earn profit. But Janata Bank is a Govt. Bank. That is why economic development is the main objective of this bank loan.

5.1.3 Sources of Loanable Fund

This bank collect deposits from people and various organizations at a certain rate of interest payable to them and lend this money to people at certain rate of interest, more than the rate of collecting money.

The main source of Banks loanable fund is deposit, International Financial Institutions (such as IDA/JFDC) grant and Govt. grant are the other source of banks loanable fund.





5.2 Types of Loan

The Janata Bank, Farmgate Corporate Branch, Dhaka provides the following types of loan:

5.2.1 Cash Credit

A cash credit is a fluctuating account and is operated in the same way as a Current Account on which an overdraft has been sanctioned. Under the system the Banker specifies a limit up to which the customer is permitted to borrow against the security of tangible assets. The interest rate for cash credit is 6.50%. The maturity for cash credit is one year.

5.2.2 Over Draft (OD)

When the bank allows its faithful Current Account holders to draw more amount of money than of the individual's deposit is called overdraft. The OD loan in this branch is amounting Tk. 533247.00 in March 31, 2012.

5.2.3 House Building Loan (Staff)

It is given to the employees of the bank. The house building loan in this branch is amounting Tk. 26238533.75 in March, 2012.

5.2.4 Rural Loan

This type of loan provided by this branch is made under the special investment program. In March 31, 2012 it was amounting 2133289.00 and was 6.45% of total loan outstanding.

5.2.5 General Loan

This bank also paid general loan that was amounting 1271527.00 in March, 2012 and was 3.85% of total loans.

5.2.6 Security Overdraft

When the bank allows its clients to draw security overdraft. The SOD loan in this branch is amounting Tk. 634698 in March 31, 2012 that was 1.92% of total loan outstanding.

5.2.7 PF Loan

Providing PF loan is one of the important operations of the bank. In March 31, 2012 it was amounting Tk. 93398.00 that was 0.28% of total loan outstanding.





5.3 Loan Application Form

From the application form the bank seeks information about:

- ❖ Customer's business experience
- ❖ Amount of assets and liabilities
- ❖ History of business
- ❖ Name of advance sought
- ❖ Period of advance
- ❖ Source of repayment
- ❖ Ownership and changes therein
- ❖ Analysis of financial statement
- ❖ Analysis of past Transaction made with the bank
- ❖ Credit Information Bureau (CIB) report
- ❖ Other banks
- ❖ Personal interview

After collecting information, bank analysis this information and assess as the acceptability of credit of the applicant. For the secured loan, bank gives priority to the security that has the following features:

- ❖ Marketability of the security
- ❖ Price stability
- ❖ Consistency
- ❖ Durability
- ❖ Position of the property

The conditions, which are maintained in the branch in the branch for issuing loans, are:

- ❖ Name and address of the borrowers
- ❖ Nature of debt
- ❖ Amount of debt
- ❖ Primary deposit
- ❖ Terms of loan
- ❖ Margin
- ❖ Interest rate
- ❖ Special conditions





5.4 Necessary Documents

In case of the issuance of loan, some documents must be presented to ensure the validity of the client about the contract he/she is going to make with the loan. The bank wants to make sure that we are lending the loan to right person or organization from whom/which it is possible to recover the amount disbursed.

The instrument which are necessary for issuing debt:

- Letter of continuity
- Letter of arrangement
- Letter of disbursement
- Statement of monitoring signed by manager Memorandum of deposit title dead
- Power of attorney in case of failure to repay debt. Guarantee of owner of property
- A passport size photograph

Other documents:

Documents common to all sorts of loans and advances specified below:

Demand Promissory Note: DP Note is an unconditional written promise made by the borrower to the Bank to repay the amount of loans/advances at a fixed or determinable future date along with interest at a stated rate.

Letter of Arrangement: The borrower acknowledges the Bank's right to cancel the facility allowed at any time without assigning any reason and with or without prior notice.

Letter of Continuity: The borrower undertakes to remain liable on the DP Note and other loan documentation even if the liabilities are fully or partially adjusted during the tenure of the credit facility and even through the account may show credit balance from time to time.

Letter of Revival: The document refers to the law of limitation whereby documents become time barred after 3 years from the date of execution. The period of limitation within which a suit for recovery of the overdue loans/advances to be filed the ordinary period of 3 years from the date on which the facility was extended. The limitation period for mortgage is 12 years beginning on the date of the mortgaged deed. The borrower through "Letter of Revival" confirms having precluded enforcement of limitation law and also confirms to remain liable on Promissory Note and other documents executed notwithstanding the law.





Legal Documents:

- Memorandum and Articles of Association (Limited Company), Registered Partnership Deed (Partnership Firm)
- Trade License
- Board resolution covering corporate borrowing power and execution of security documents (Limited Company)

Resolution of the partners for availing of credit and for execution of security documents. The legal advisor of the banks judges the legal side of immovable security and concludes that whether it is acceptable or not.

5.5 Risk Management

The possibility of losses, financial or otherwise is defined as risk. The risks are inherent in banking business in the context of recovery of credit, maintaining liquidity market and operational affect. It is responsibility of the management to identify measures and mitigate risks. The risk management of the bank covers 6 core risk areas in the banking business and issued necessary guidelines as under to control and minimize the affected loss:

- 1) Credit Risk
- 2) Foreign Exchange Risk Management
- 3) Assets-Liability Management
- 4) Preventing of Money Laundering
- 5) Internal Control and Compliance Risk Management

Janata Bank Limited has developed separate guidelines to exercise in each of above risk oriented area for managing its own core risks.





5.6 Credit Risk Management

Credit risk is the risk to a financial institution's earning and capital when an obligor or a third party does not comply with the terms and conditions of the loan and fail to meet its obligations to the bank. It is a potential loss arising from the failure of a counter party to perform as per contractual agreement with the bank, basically failure in repayment.

The bank ensures to adopt the following risk assessment procedures before approving sanction of any credit facility. The risk assessment procedures include borrowing risk analysis, financial analysis and industrial appraisal, historical performance of the customer, security against credit facility etc. The assessment initiated from the branch level, counterchecking and cross checking done by the controlling office in accordance with business and sectioning power.

The proposal belongs to the authority of head office are reviewing by the concerned credit department in term of credit policies, risk grading, business and management quality and then reviewing by the credit committee. Thereafter placed to board with their recommendation or otherwise rejected of deemed not to be feasible.

Apart from customer department, a separate risk management department has been created to mitigate the various types of credit; risk in determining single borrower / large loan limit; the instructions of regularity bodies are strictly followed.





Chapter – 06

Appraisal of Performance

Janata Bank Limited



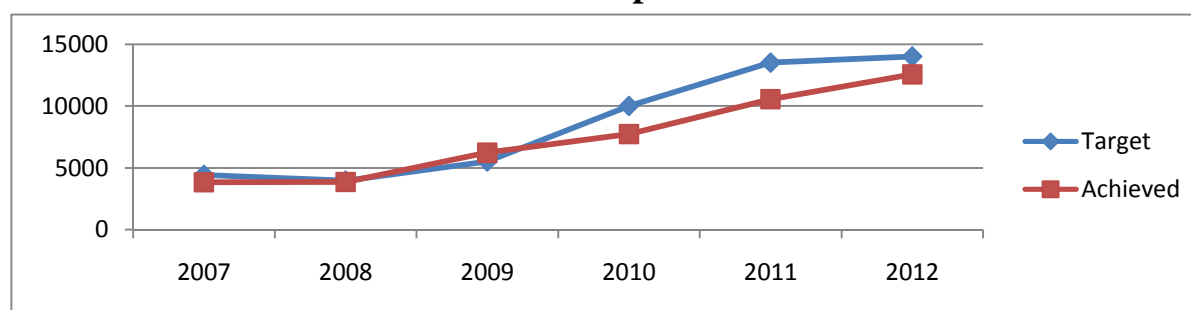


6.1 Target and achievement of Janata Bank Limited, Farmgate Corporate Branch, Dhaka.

Target and Achievement of “Deposit” for 2007-2012 (2nd Quarter/June based)

Year	Target	Achieved
2007	4410	3838
2008	3950	3854
2009	5500	6228
2010	10000	7739
2011	13500	10549
2012	14000	12564

Deposit



Description: In the year of 2007 the deposit target was tk.4410 lacs on the other hand target was tk.3838 lacs. But for the year 2008-2012 they reached their target. But in the 2012 they became failure to fulfill their targets. From the 2008-2010 it was possible for their good management and effectiveness.

*** Amounts are in lakh.

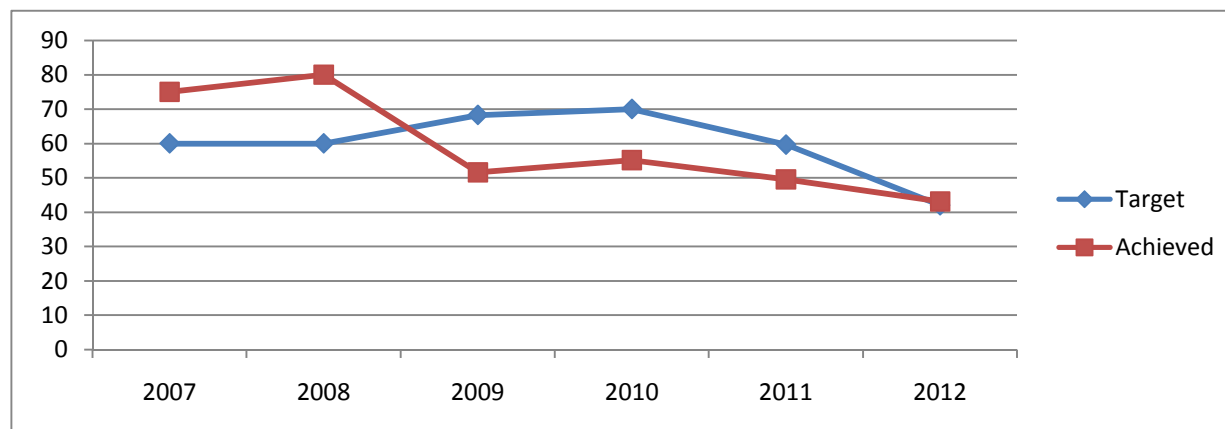




Target and Achievement of “% of Low Cost Deposit” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	60	75
2008	60	80
2009	68.26	51.54
2010	70	55.12
2011	59.63	49.5
2012	42	43.08

% of Low Cost Deposit



Description: In the year 2007 target of %LCD was 60 percent. On the other hand achievement was 15 percent. In 2008 they also fulfill their target, but in 2009-2012 they were unable to fulfill their targets.

*** Amounts are in lakh.

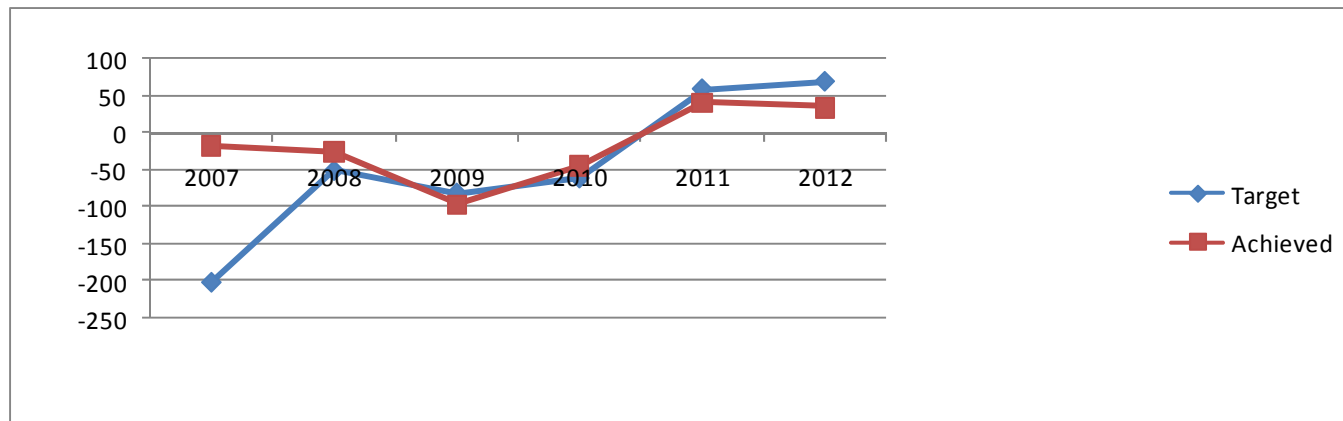




Target and Achievement of “Profit/Loss” for 2007-2012 (2nd Quarter/June based)

Year	Target	Achieved
2007	-200	-17
2008	-50	-25
2009	-80	-96
2010	-60	-44
2011	60	41
2012	70	35

Profit/Loss



Description: In the 2007, 2008, 2009, 2010 the profit and loss target was tk. -200, -50, -80, -60 lacs. Besides achievement was tk. -17, -25, -96, -44 lacs which shows deficits on the target. We see in 2011 and 2012 target has been achieved and it has been possible due to the good management and effectiveness.

*** Amounts are in lakh.

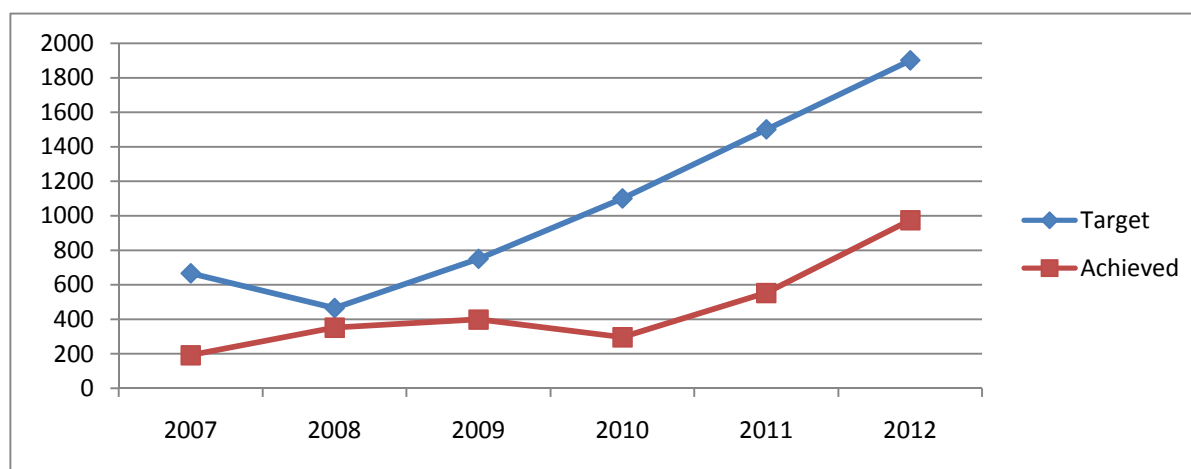




Target and Achievement of “Foreign Remittance” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	666	192
2008	465	352
2009	750	399
2010	1100	296
2011	1500	553
2012	1900	974

Foreign Remittance



Description: In the year of 2007 the foreign remittance target was tk. 666 lacs and the achievement was 192 lacs which shows deficit on the target. We see in 2009-2012 the target has not been achieved too.

*** Amounts are in lakh.

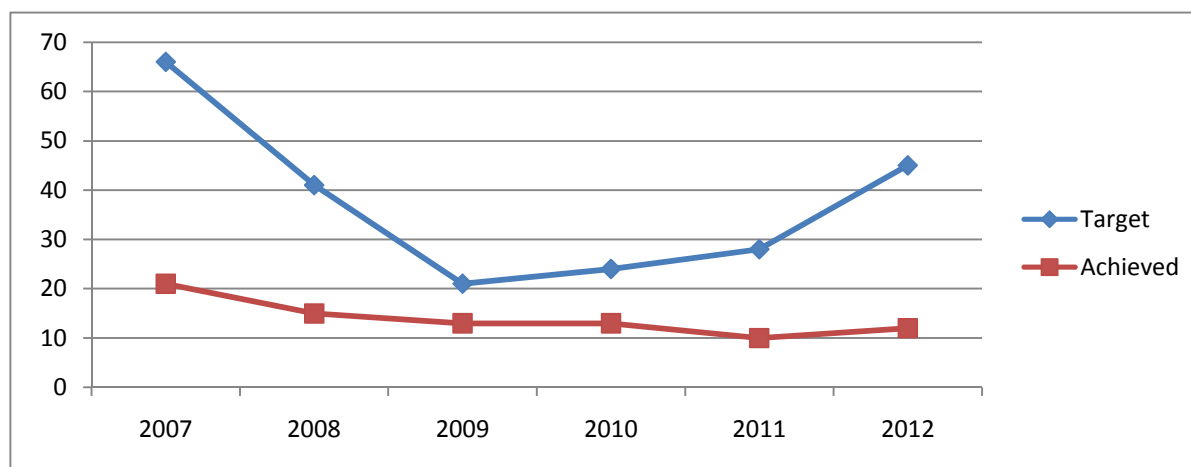




Target and Achievement of “Non Interest Income” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	66	21
2008	41	15
2009	21	13
2010	24	13
2011	28	10
2012	45	12

Non Interest Income



Description: Here in the case on Non interesting Income we can see the same scenario. They also became unable to achieve their target here.

*** Amounts are in lakh.

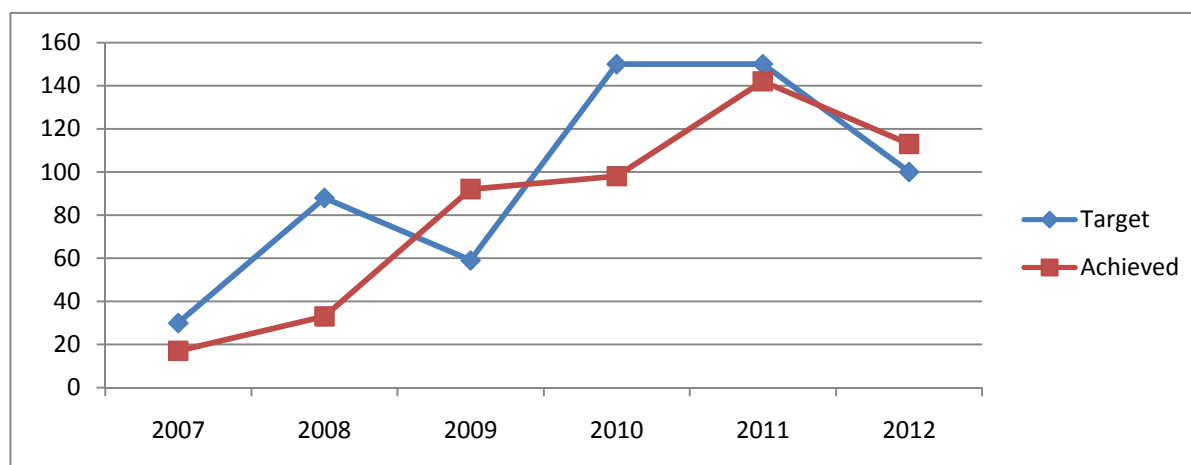




Target and Achievement of “Import” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	30	17
2008	88	33
2009	59	92
2010	150	98
2011	150	142
2012	100	113

Import



Description: In the year 2007 the import target was 30 lacs and the achievement was 17 lacs. In 2008 it was deficit too. But in 2009 it was a great surplus. Year 2010 and 2011 they could not achieve their target. In 2012 they became successful.

*** Amounts are in lakh.

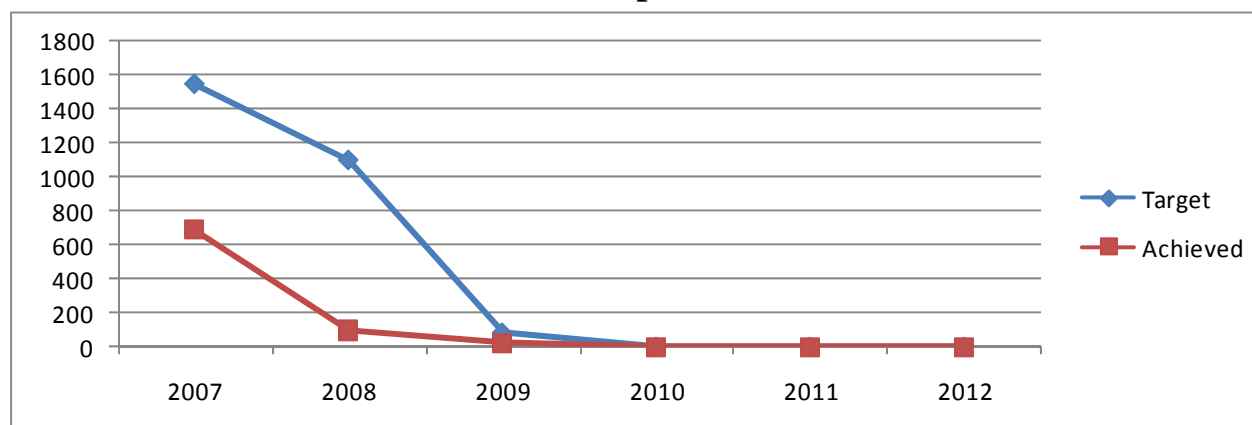




Target and Achievement of “Export” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	1548	689
2008	1100	96
2009	83	23
2010	0	0
2011	0	0
2012	0	0

Export



Description: From the 2007 to 2009 they became failure to achieve their targets. In 2010, 2011 and 2012 they had no target for exports.

*** Amounts are in lakh.

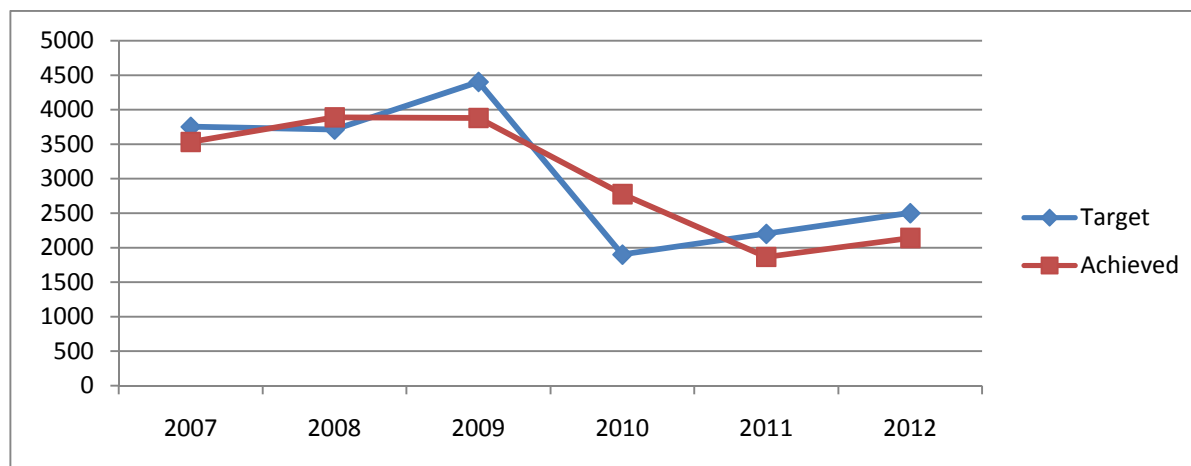




Target and Achievement of “Advance” for 2007-2012 (2nd Quarter/June based)

Year	Target	Achieved
2007	3750	3531
2008	3711	3887
2009	4400	3877
2010	1900	2775
2011	2200	1866
2012	2500	2142

Advance



Description: In the case of advance they tried to fulfill their target. As we can see that achievement was near to the target in every year.

*** Amounts are in lakh.

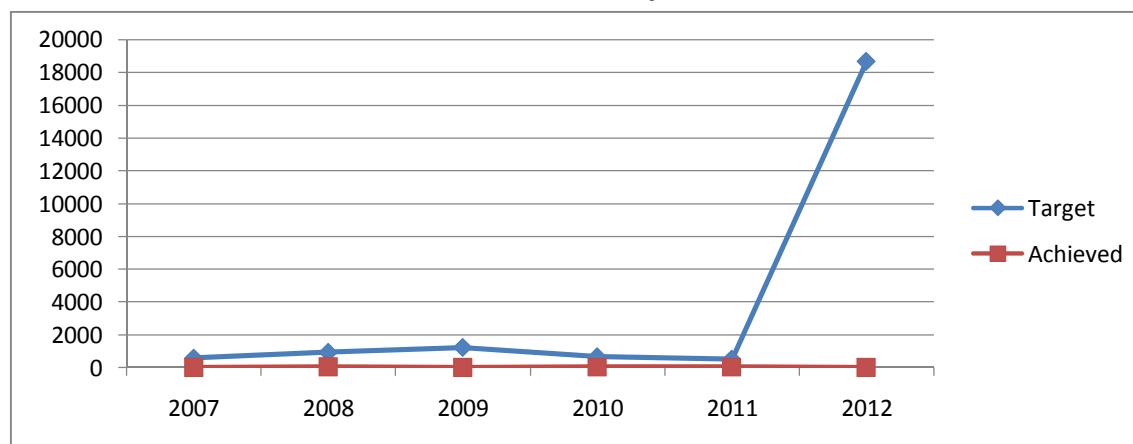




Target and Achievement of “Recovery of CL” for 2007-2012 (2nd Quarter/June based)

Year	Target	Achieved
2007	567	33
2008	920	62
2009	1221	18
2010	651	42
2011	502	41
2013	18660	33

Recovery Of CL



Description: This Branch target was huge in the case of recovery of classified loans. But the reality was they became failure. In the graph we can see that achievement was in the very low level.

*** Amounts are in lakh.

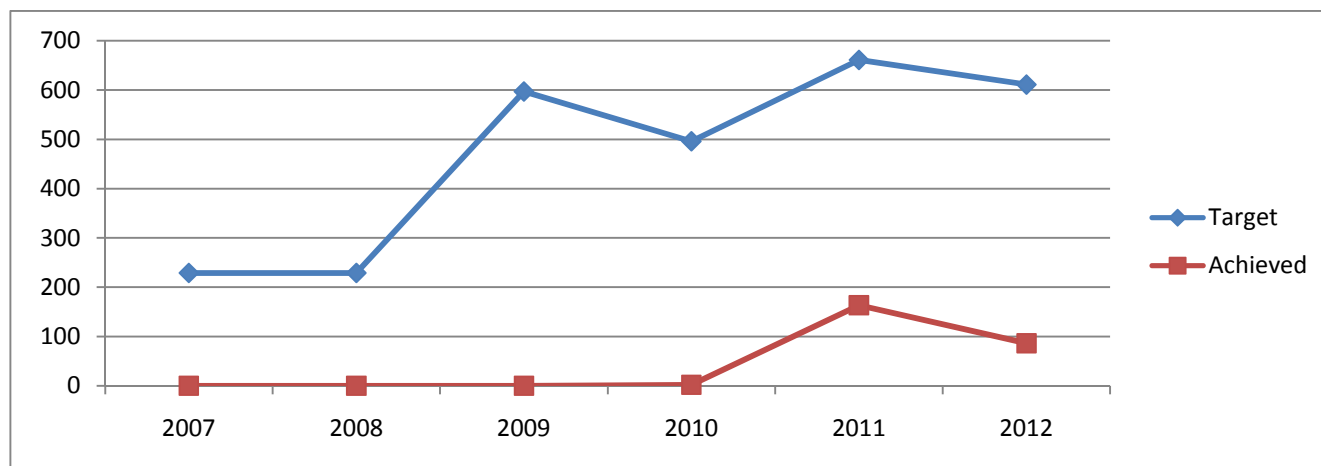




Target and Achievement of “% Write off” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	229	0
2008	229	0
2009	597	0
2010	496	2
2011	661	163
2012	611	86

% Write off



Description: This branch also became failure in this case also. There is a huge difference between target and achievement in every year.

*** Amounts are in lakh.

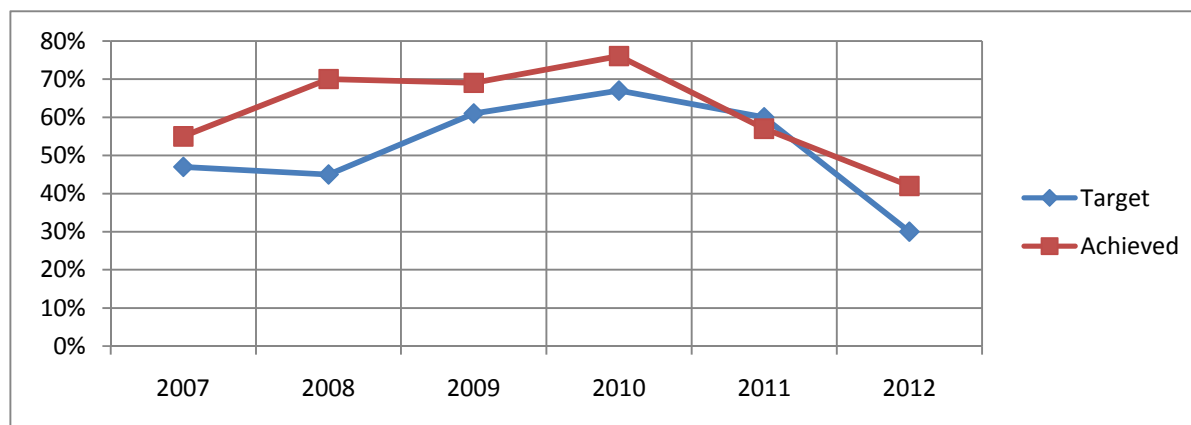




Target and Achievement of “% of CL” for 2007-2012
(2nd Quarter/June based)

Year	Target	Achieved
2007	47%	55%
2008	45%	70%
2009	61%	69%
2010	67%	76%
2011	60%	57%
2012	30%	42%

% of CL



Description: Here achievement was higher than the targets on every financial year. As we see previous in Recovery was lower, but here classified loan in higher.

*** Amounts are in lakh.





Chapter – 07

Conclusions and Recommendation

Janata Bank Limited





7.1 Findings

The main constraint of the study was insufficiency of information that was highly required for the study. The duration was not enough to cover all aspects of banking. The data and information related with the topic was not easily available because of confidentiality of the concern.

Major findings are stated below:

- ✓ Farmgate corporate branch is one of the busiest branches. Sometimes it is found that all works are not performed efficiently due to insufficiency to Officer/Staffs'
- ✓ Maximum officers are working in a specific desk for a long time and for this reason they may feel monotony and certainly they are not able to know the overall banking activities through they have enough eagerness to know.
- ✓ Sometimes working environment is also unfavorable of the Officers/Staffs
- ✓ Still now, Janata Bank Corporate Branch, Farmgate, follows the traditional banking system.
- ✓ Training facility isn't sufficient especially for the lower level officers.
- ✓ Janata Bank Corporate Branch, Farmgate, does not have good well reception section and has no receptionist who may receive phone calls and complains from customer and supply the relevant information.
- ✓ In this branch there is lack of modern equipments.
- ✓ Credit quality depends on close follow-up & monitoring of loans. The follow-up monitoring of loans is not strong here. There is also Insufficient budget for sanctioning loans & advances.





7.2 Recommendations

I am very thankful to get an opportunity to study in JBL but as a general observer, I would like to recommend some problems:

- JBL should adopt of new technologies. Ensuring interconnectivity among the branch with internet facility.
- The bank should have standardized system of measuring customer satisfaction.
- The officials should be trained up for increase their efficiency.
- Reasonable interest rate should be charged for all kinds of loan and should increase the area of loan distribution.
- Increasing number of staffs and cash terminals is necessary.
- Officials should be more cooperative with the clients.
- Officials should be trained up for self-management.
- Customize new financial product development.
- Officials should provide proper service during transaction.
- Bank can accept new ideas from the customers for improvement of the quality of their service.
- They need to maintain an upgraded guideline for the employees to avoid any kind of confusion.
- They should enhance their savings facilities by introducing many other saving schemes, because customers really look for various savings programs.
- Special increment should be given to middle and junior level managers to increase their motivation level.





7.3 Conclusion

Bank is financial intermediary on which people rely on. Banks take deposit at a cost and lend at a higher rate to cover its operational expenses and make some profit. If in this process, the loans are stuck-up then the entire process becomes jeopardized which brings chaos for the clients and bank. So its very much needed that banks keep their services clear to hold on to their reputation.

However, as one of the leading commercial banks, JBL is playing an important role in its area of business in mobilizing financial resources through deposit collection and loan distribution. It helps creating and maintaining a calm business environment in the economy. JBL is operating branches all over the country as well as overseas. The process may involve their services, products or their promises towards their clients.

Due to my internship program in JBL, I have analyzed the total Deposit Position, Account wise Deposit Position different key indicators of the branch and many other services. In analyzing the data provided by the Bank, it is seen that the Deposit Position of the Branch is good. If increases the efficiency of its employees and staffs then it would be much easier to deal with people within short time which would help them to increase their clients as well. It has been serving millions of people around the world since 1971, employing thousands of people. It proves that JBL has the capability to enrich their services and attract people with their products.





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